Department of Mines
Government of Newfoundland and Labrador

THE MINERAL INDUSTRY OF NEWFOUNDLAND AND LABRADOR

REVIEW FOR 1988
AND
OUTLOOK FOR 1989

by

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(NOTES TO ACCOMPANY A PRESENTATION TO THE ST. JOHN'S BOARD OF TRADE)

January 20, 1989

Introduction

1988 was an excellent year for the mineral industry in Newfoundland and Labrador. Mineral exploration was at an all-time high in terms of expenditures, claim staking, diamond drilling and other factors, and mining production rebounded to one of the best years since the 1982 recession. As we enter 1989, indications are that the trends of 1988 will continue in both mining operations and exploration. It is likely that both exploration expenditures and mineral production will be higher in 1989 than in 1988. It is also probable that 1989 will be the first billion dollar year for the industry since 1981.

Mineral Production

The total value of mineral production for 1987 as determined by the provincial Department of Mines was $714 million (final Statistics Canada figures may vary slightly because of some minor differences in valuation factors and commodities included). This included $642 million for iron ore and $72 million for everything else.

The preliminary value of production for 1988 according to the provincial Department of Mines was $938 million, including $776 million for iron ore and $162 million for other products. This is the highest value for iron ore since 1984 ($851 million; when the Canadian dollar was only about 75 U.S.) and the highest value for other commodities since before 1981. The latter was

due primarily to the addition of gold production at Hope Brook as well as a full year's production of zinc at Daniel's Harbour.

These increases in 1988 represent an overall improvement of about 30 percent over 1987. Iron ore improved by about 20 percent and other products more than doubled in value.

Nonmetals, including asbestos, gypsum, fluorspar, dolomite, silica, pyrophyllite and peat, and structural materials, including brick, cement, stone, and sand and gravel, totalled about $72.5 million in 1988 compared to about $64 million in 1987. The increase here primarily represents improvements in sales of asbestos and fluorspar; there were some offsetting reductions in gypsum as a result of the changes at St. George's Gypsum Ltd.

For 1989, it is likely that total value will increase by about 10% to 15% over 1988, which would bring the total value to more than a billion dollars for the first time since 1981. One major contributor to this increase will be Hope Brook, which will have its first year of full production in 1989. Iron ore is also expected to increase in value as some prices for 1989 have increased by 15 to 20 percent over 1988. Also, significant increases in value of production are projected for asbestos, zinc and

fluorspar. The only negative seen at this time is potential further increases in value of the Canadian dollar versus the U.S. dollar. Because most of our mineral products are sold in U.S. dollars, every "one cent" increase means about $6 million off our total value of production. Since January, 1988, there has been about a "6 cent" increase, and in the last two years, the change has been about 12 cents.

Metal Prices

Except for precious metals, just about everything has been on an upward trend in the last year.

Copper has almost tripled in price, which bodes well for the exploration around the old Rambler property. Zinc is now more than double its price when Nfld. Zinc reopened in 1987. Cadmium, which occurs as a byproduct with the zinc, has increased by about 4-5 times its value in two years.

Iron ore contract settlements in Europe and Japan for 1989 have varied from about 13% increases for concentrates to about 20% for pellets.

Over the past year, gold has dropped from about $480 U.S. last January to below $400 per ounce now; silver has tracked the gold and fallen from $6.77 to about $6.14 during the same period. It is probably anybody's guess what will happen to these two in the next year as some analysts forecast further drops while others are more optimistic and expect gold to be back to about $460 to $480 by the end of 1989. Let's hope the latter forecasts are correct. It would be good for Hope Brook as well as all the gold exploration going on throughout the province.

Mineral Exploration

Each of the last few years has set a record in terms of mineral exploration activity, especially in terms of the number of mineral claims held in good standing. The numbers for 1988 are 26,199 new claims and 65,822 in good standing on December 31. In terms of expenditures, the increases were most dramatic in the past two years, reaching more than $30 million in 1987 compared to only about $12 million in 1986. The preliminary estimate for 1988 is $40 million, and the trend is continuing. There are no indications at this time of any slowdown in 1989, and it is likely that there'll be at least a 10 percent increase.

Presently, about 100 companies and individuals have title to mineral claims. Most of the activity is by about a dozen companies.

I will not go into detail on all the exploration activity, but I will note the geographic areas of greatest interest.

(1) Baie Verte Peninsula/Springdale Peninsula: Several interesting gold prospects are in the drilling stage, including Bitech's Nugget Pond, Varna's Lighting Zone, and Noranda's Stog'er Tight showing. The Rambler Joint Venture group is drilling the former Rambler properties as a gold-base metals target.

(2) Central Newfoundland: Exploration for gold and base metals by several companies. The main prospect is Noranda-BP Resources' Tally/Pond-Duck Pond property. Reserves now exceed 4 million tonnes.

(3) Southwestern Newfoundland: Exploration is continuing in the Hope Brook belt. To the west near Isle aux Morts, Dolphin Exploration has proven about 1.3 million tonnes of reserves on the Cape Ray gold deposit.

(4) Gander-Bay d'Espoir Belt: Several companies are exploring for gold in the belt which extends from Bay d'Espoir to Gander Bay. Noranda and Westfield are among the key players.

Acknowledgement

I thank the company representatives who have provided information for this presentation. I also thank my colleagues at the Newfoundland Department of Mines and at Energy, Mines and Resources Canada for their input.

MINOR REVISIONS, FEBRUARY, 1989. R.G.

MINERAL PRODUCTS IN 1988

IRON ORE	ZINC
ASBESTOS	GOLD
GYPSUM	SILVER
PEAT	CADMIUM
PYROPHYLLITE	BRICK
QUARTZ	CEMENT
DOLOMITE	SAND AND GRAVEL
FLUORSPAR	STONE

VALUE EXCLUDING IRON ORE

YEAR	VALUE	PERCENTAGE
1981	$ 143,420,000	13.9
1982	$ 74,376,000	11.5
1983	$ 95,276,000	11.8
1984	$ 127,804,000	13.1
1985	$ 94,925,000	10.9
1986	$ 56,011,000	6.9
1987 *	$ 72,021,000 *	10.1 *
1988*	$ 162,805,000*	17.3*

* Preliminary Estimate by the Newfoundland Department of Mines

METAL PRICES

COMMODITY	DEC. 1986	DEC. 1987	DEC. 1988
Gold ($ US/oz)	$391.68	$481.50	$418.00
Silver ($/Tr oz)	$ 5.35	$ 6.77	$ 6.14
Cadmium ($ US/lb)	$ 1.35	$ 3.25	$ 7.80
Copper (¢ US/lb)	63.50¢	140.00¢	156.75¢
Zinc (¢ US/lb)	42.75¢	43.40¢	75.00¢
Lead (¢ US/lb)	28.50¢	42.00¢	39.50¢

CLAIM STAKING

YEAR	NEW CLAIMS	TOTAL DECEMBER 31
1983	4,522	15,288
1984	11,048	19,662
1985	15,162	28,461
1986	14,594	32,098
1987	22,095	47,675
1988	26,199	65,822

THE MINERAL INDUSTRY

REVIEW FOR 1988

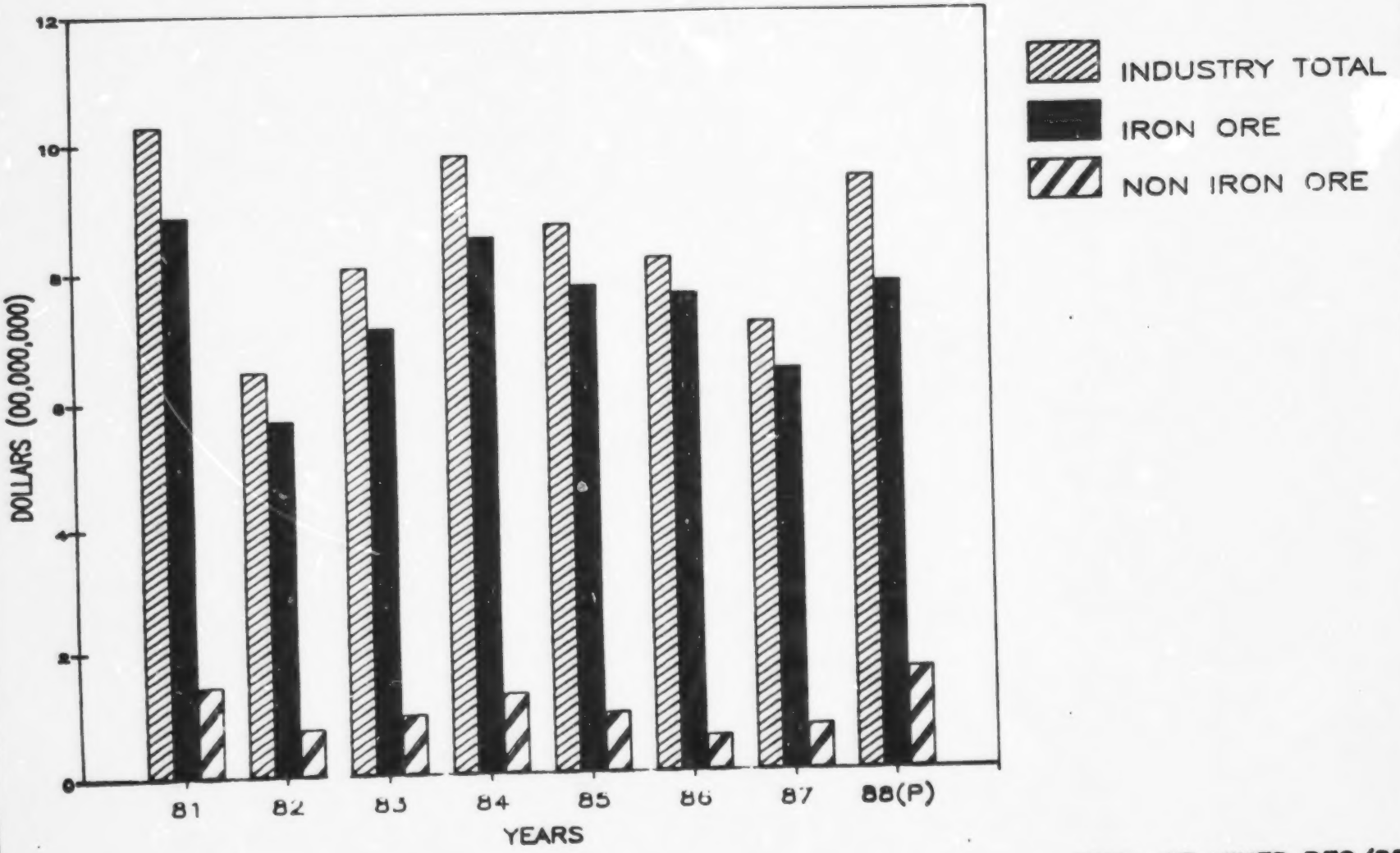
OUTLOOK FOR 1989

VALUE OF MINERAL PRODUCTION

YEAR	TOTAL $	IRON ORE $	IRON %
1981	1,030,263,000	886,843,000	86.1
1982	646,762,000	572,386,000	88.5
1983	807,003,000	711,727,000	88.2
1984	979,224,000	851,420,000	86.9
1985	869,727,000	774,802,000	89.1
1986	817,339,000	761,328,000	93.1
1987*	714,201,000*	642,180,000 *	89.9*
1988*	938,823,000*	776,018,000*	82.7*

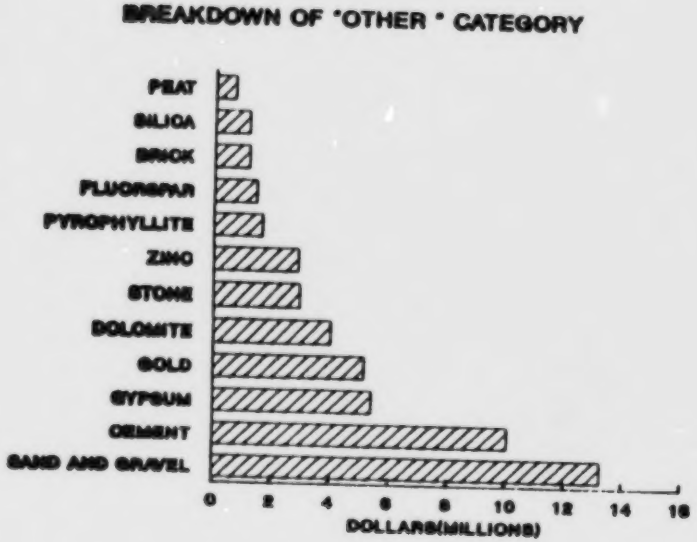
* Preliminary Estimate by the Newfoundland Department of Mines

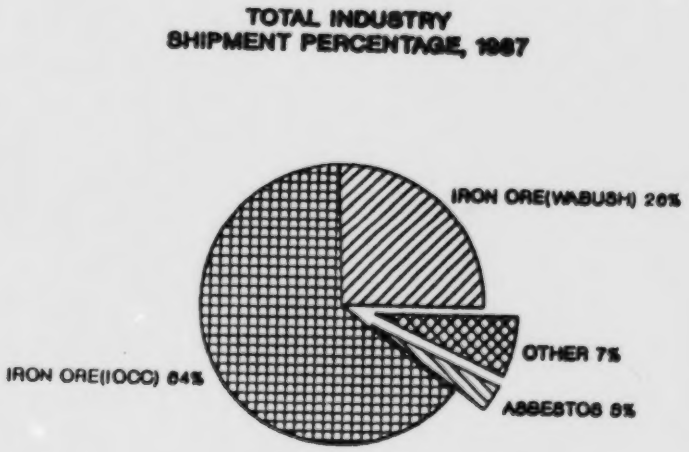
NEWFOUNDLAND MINING INDUSTRY
VALUE OF MINERAL SHIPMENTS
1980 - 1988(P)



DEPT. OF MINES DEC/88

NEWFOUNDLAND MINERAL SHIPMENTS BY COMMODITY, 1987

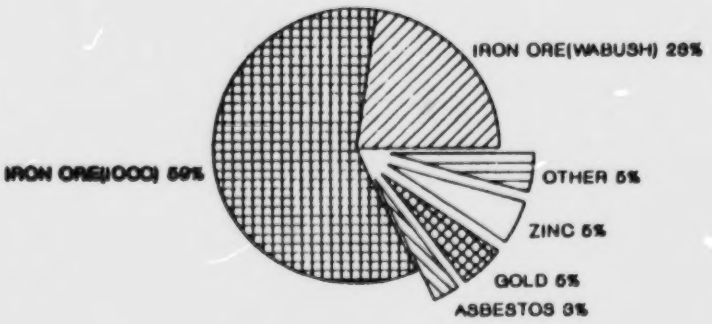




DEPT. OF MINES T.B. 088/88

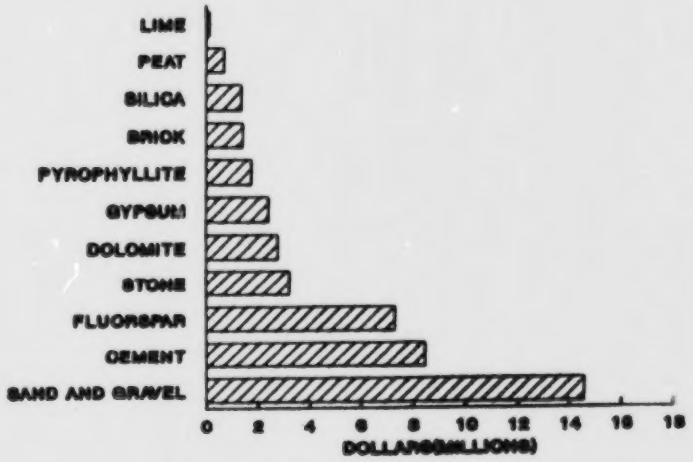
NEWFOUNDLAND MINERAL SHIPMENTS BY COMMODITY, 1988

TOTAL INDUSTRY
SHIPMENT PERCENTAGE, 1988*



* PRELIMINARY

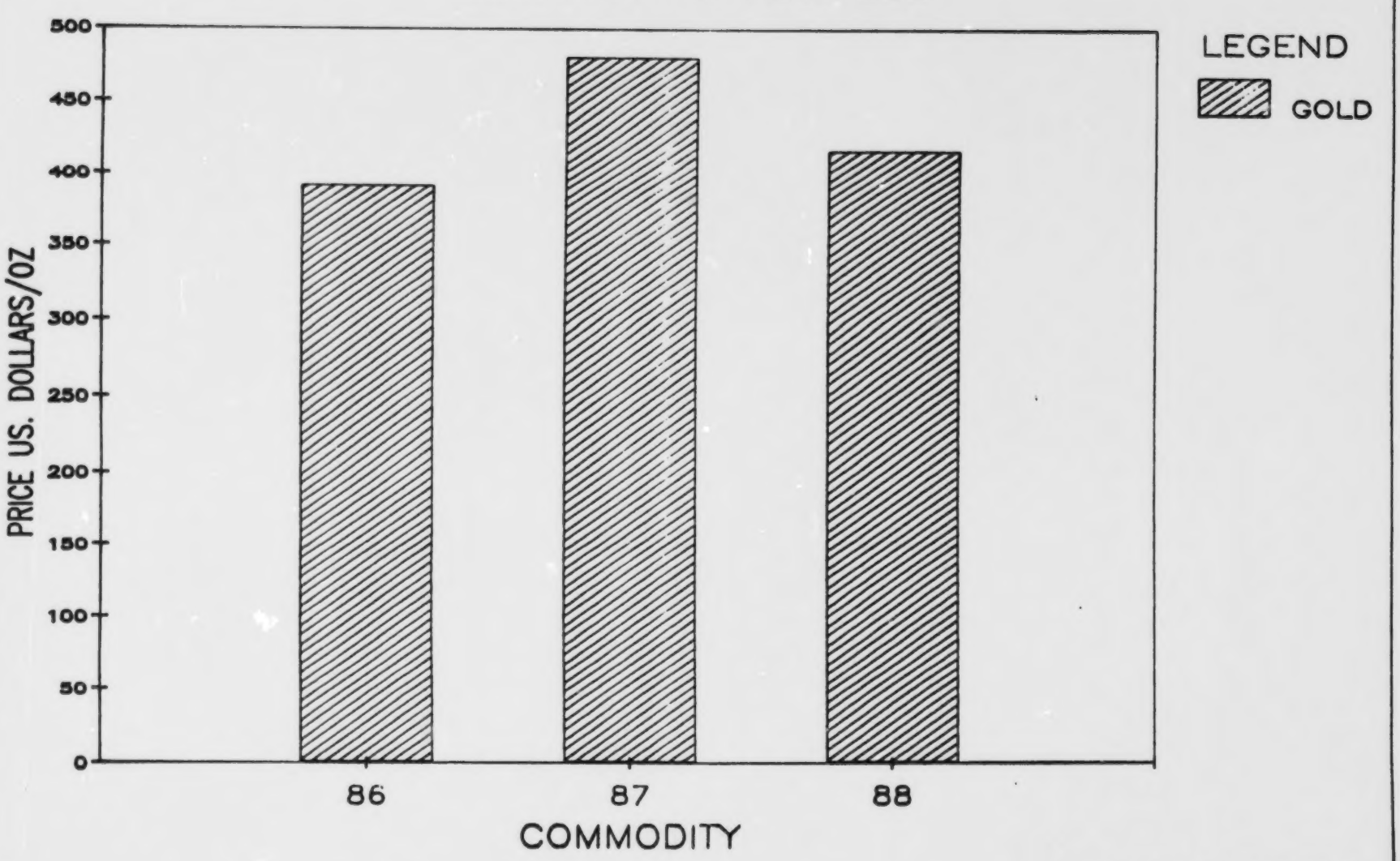
BREAKDOWN OF "OTHER" CATEGORY



DEPT. OF MINES T.D. 89/88

METAL PRICES

DEC.1986 TO DEC.1988

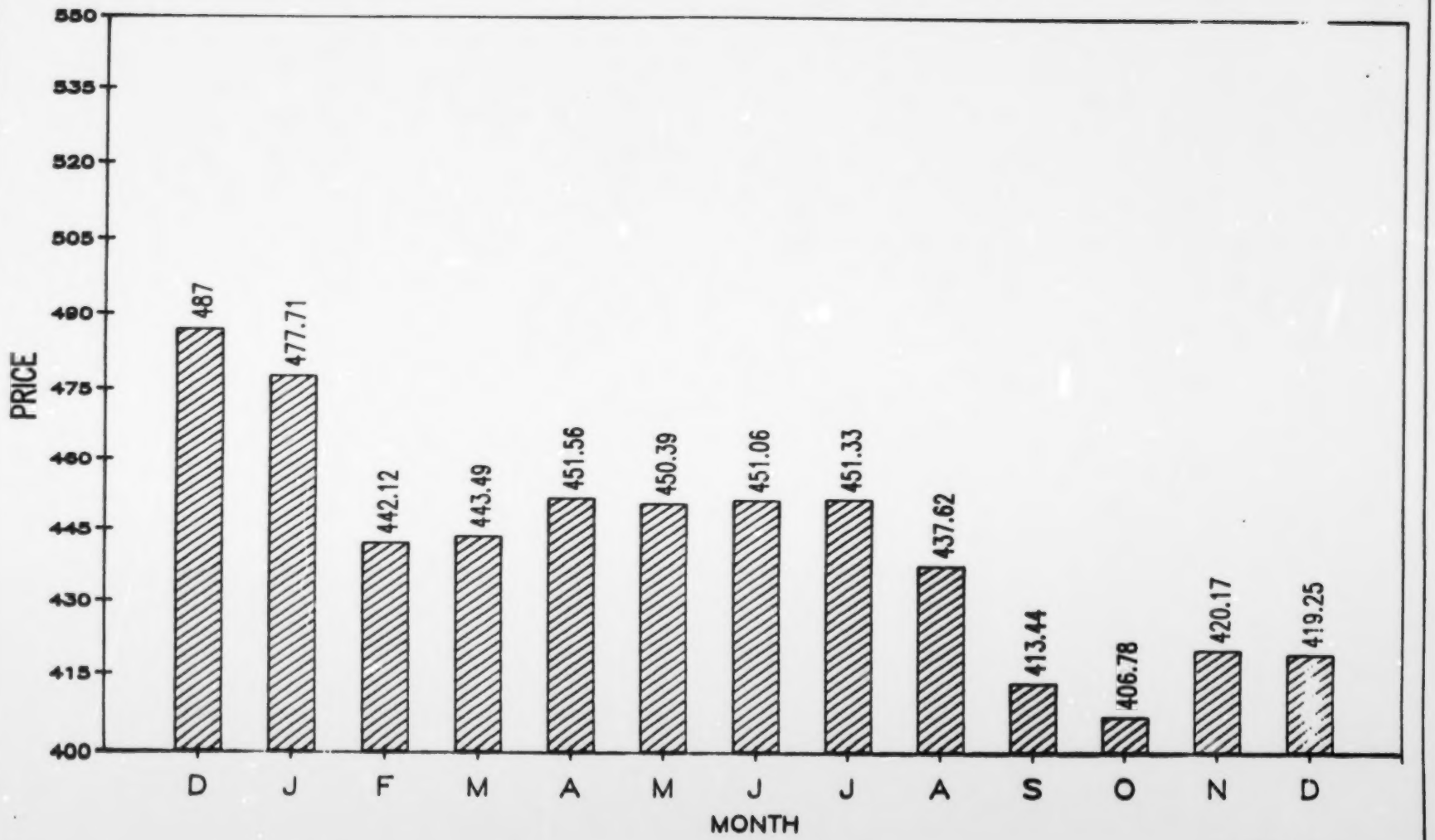


DEPT. OF MINES DEC/88

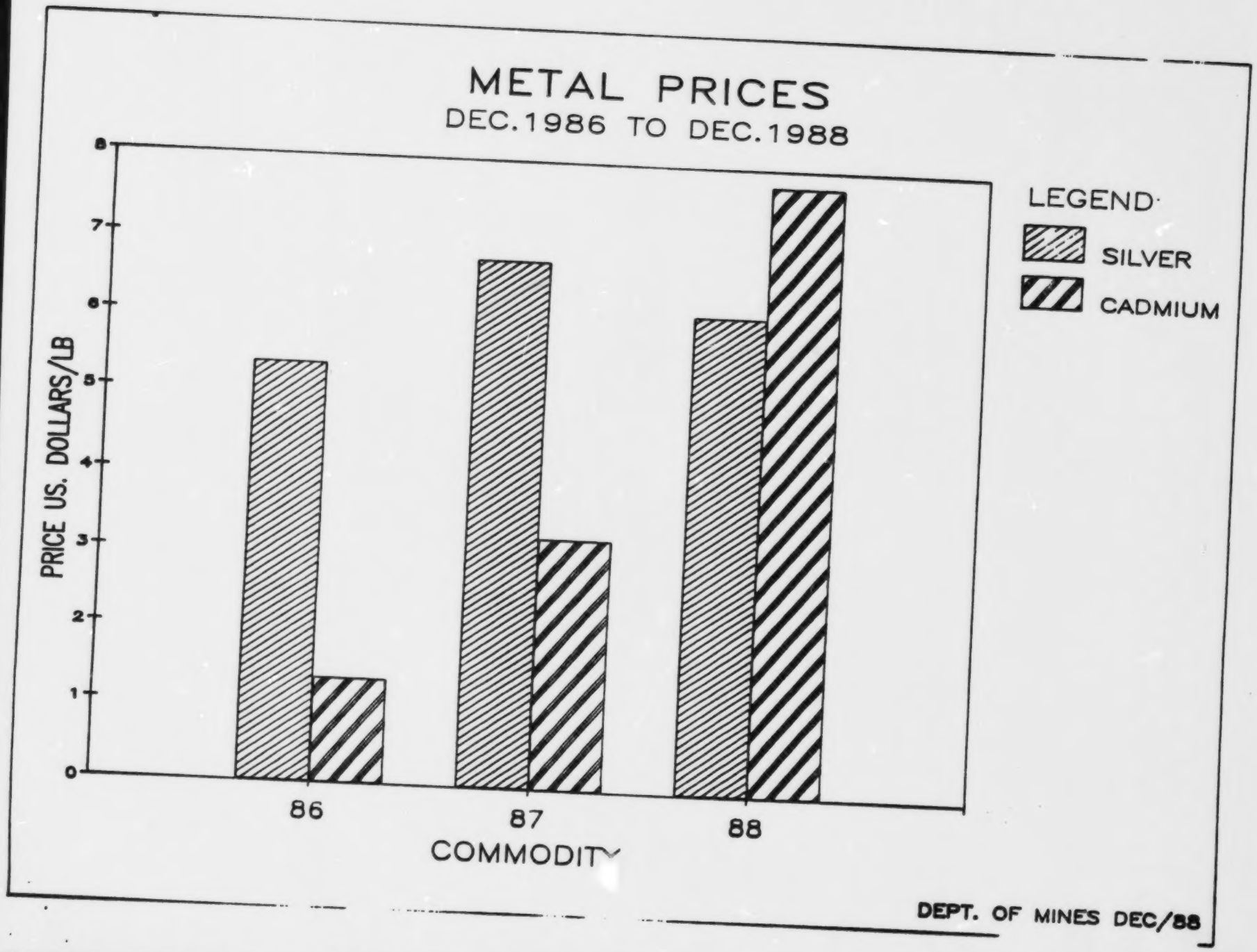
GOLD LONDON DAILY METALS PRICES

MONTHLY AVG. DEC./87-DEC./88

MARKET PRICES IN U.S. DOLLARS



DEPT. OF MINES DEC/88

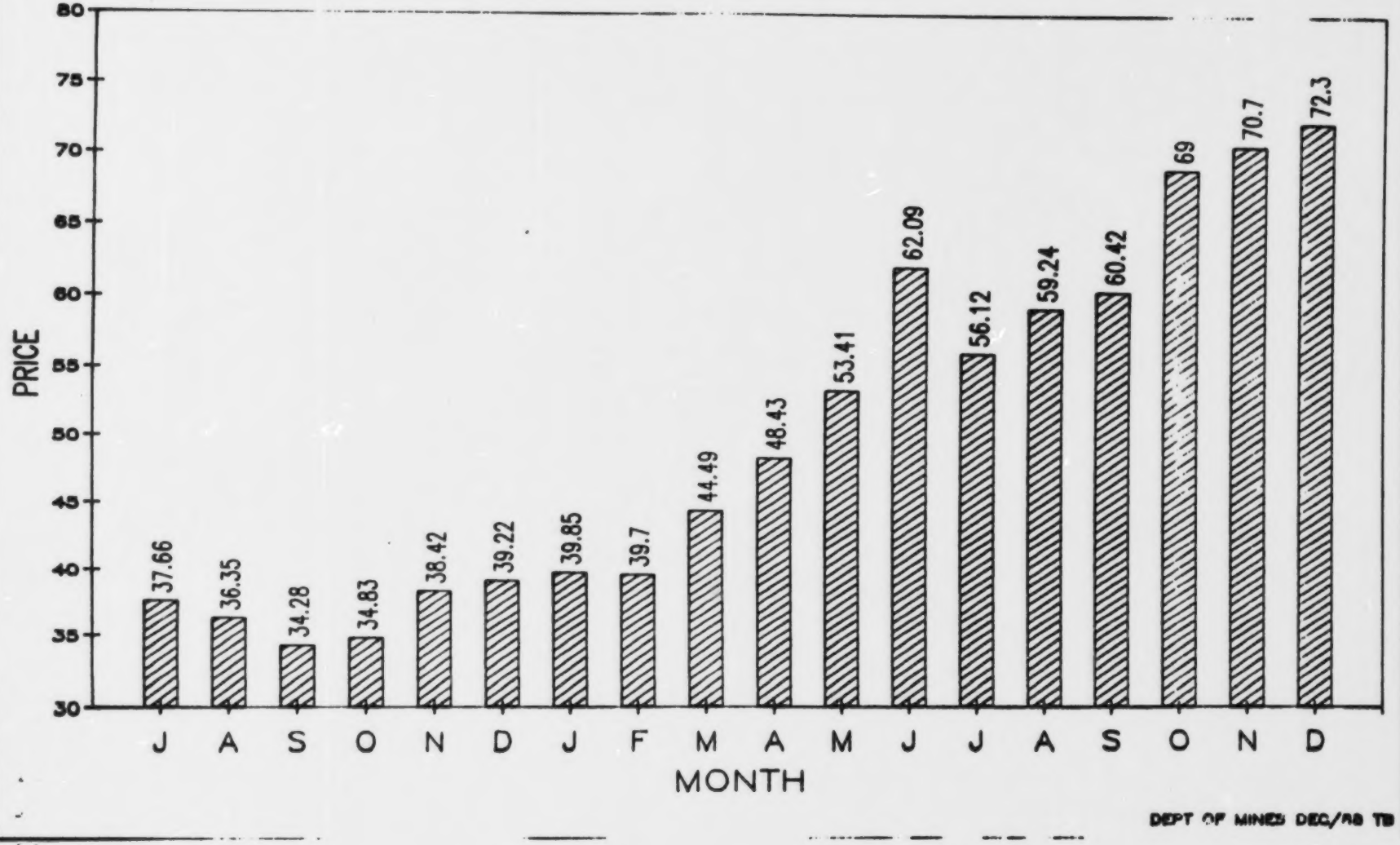

METAL PRICES
DEC.1986 TO DEC.1988
PRICE US. DOLLARS/LB
0
1
2
3
4
5
6
7
8
86
87
88
COMMODITY
LEGEND
SILVER
CADMIUM
DEPT. OF MINES DEC/88

ZINC LONDON DAILY METALS PRICES

MONTHLY AVG. JULY/87 - DEC/88

MARKET PRICES IN U.S. DOLLARS

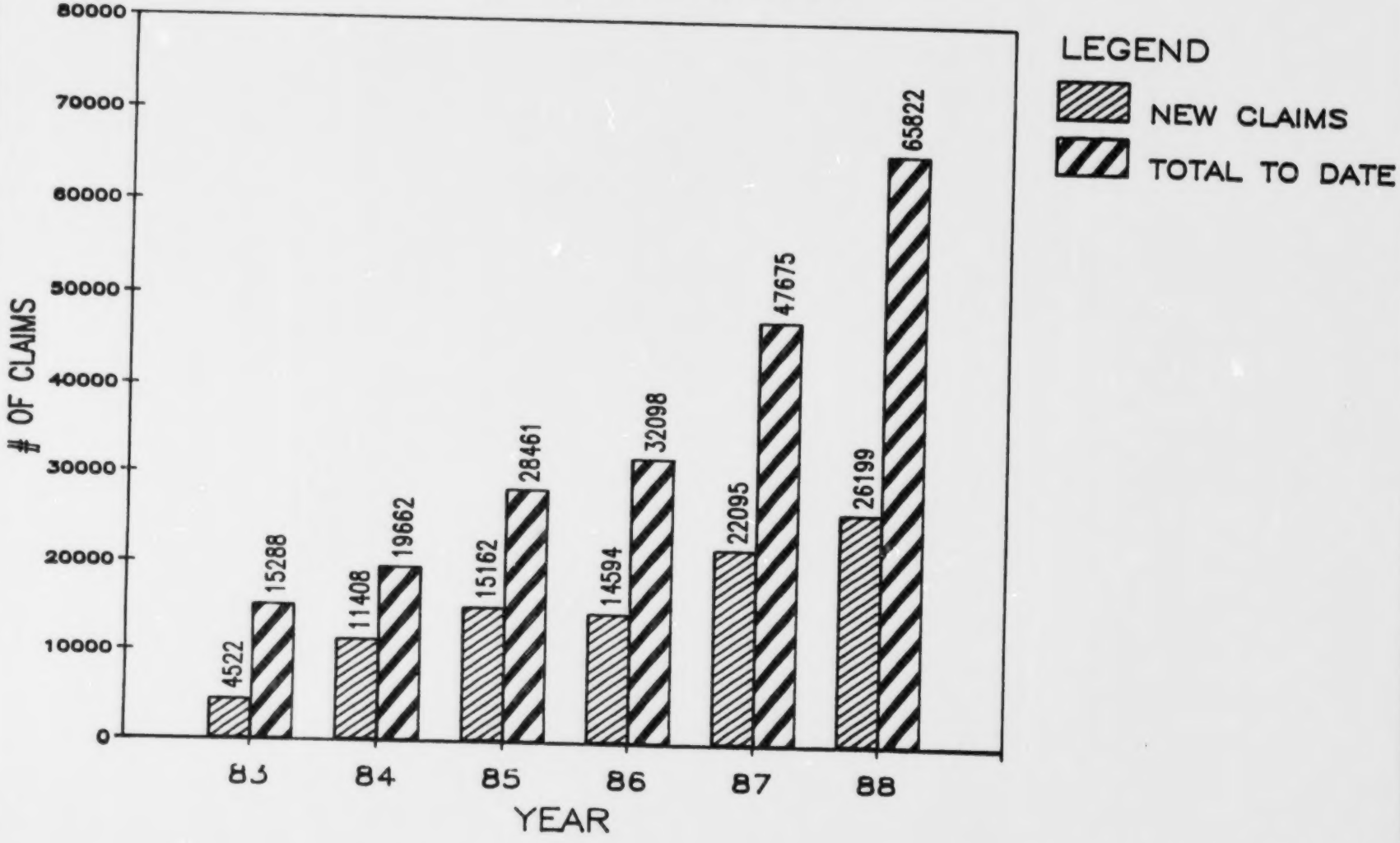
LME US. CENTS PER LB.



DEPT OF MINES DEC/88 TB

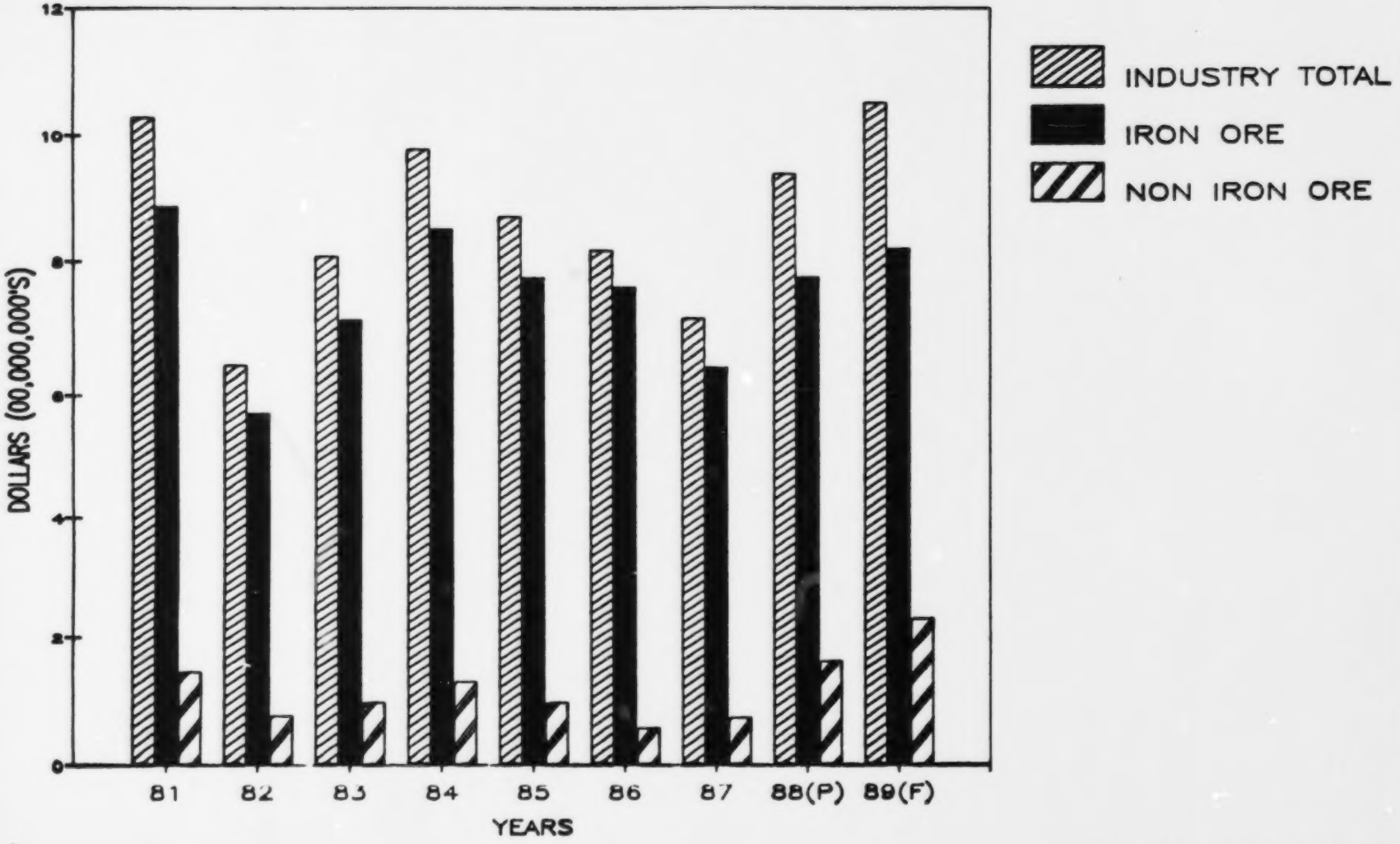
CLAIM STAKING

NEW CLAIMS & TOTAL TO DATE
1983 TO 1988



DEPT. OF MINES FEB/89

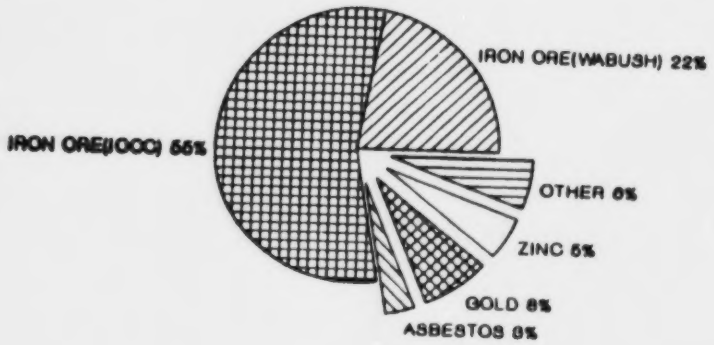
NEWFOUNDLAND MINING INDUSTRY
VALUE OF MINERAL SHIPMENTS
1980 - 1989(F)



DEPT. OF MINES DEC/88

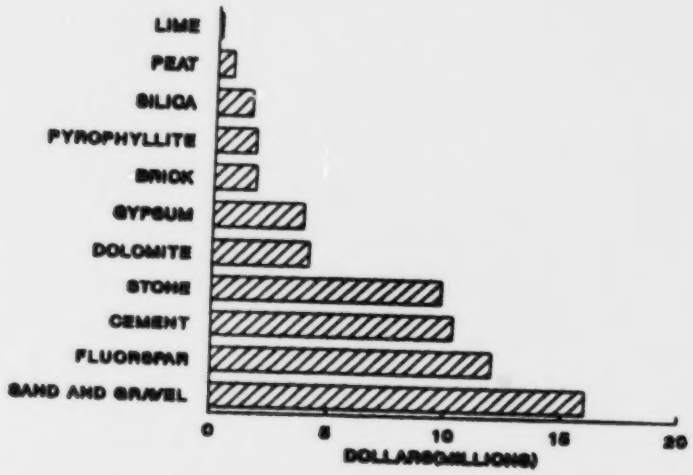
NEWFOUNDLAND MINERAL SHIPMENTS BY COMMODITY, 1989

TOTAL INDUSTRY
SHIPMENT PERCENTAGE, 1989*



* FORECAST

BREAKDOWN OF "OTHER" CATEGORY



DEPT. OF MINES T.D. 000/00

OUTLOOK BRIEFS

1. VALUE OF PRODUCTION
2. EXPLORATION
3. IRON ORE
4. GOLD
5. ZINC
6. INDUSTRIALS
7. OTHER